GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2574
ANSWERED ON:18.03.2005
VALUE OF RUPEE AGAINST US DOLLAR
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Will the Minister of FINANCE be pleased to state:

(a) Whether the rupee shot up to a five year against the US Dollar due to sharp rise in demand by the Foreign Institutional Investors (FIIs) as reported in The Pioneer, dated the February 3, 2005:

(b) if so, the details thereof alongwith the reasons therefor; and

(c) the steps taken b y the Government to always maintain this upward trends?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a), (b) & (c) : The Rupee was valued at Rs 43.41 against the US Dollar on December 3, 1999. After depreciating against the US Dollar during the years 2000-01 and 2001-02, the Rupee started appreciating against the US Dollar from May 2002 onward. On February 3, 2005, the Rupee was valued at 43.36 against the US Dollar, thereby almost reaching the high which it had achieved on December 3, 1999. In the current year (2004-05), after briefly depreciating against the US Dollar during May-August 2004, the Rupee appreciated against the US Dollar by 6.1 per cent during the period September- February 2004-05. This appreciation has primarily been on account of higher supply of foreign exchange, compared to demand, arising out of foreign portfolio inflows, trade remittances, etc. against the backdrop of the weakness exhibited by US Dollar against other major currencies in the international market. The movements in the Rupee value in recent years have been smooth and orderly, avoiding any significant costs to the economy. The Rupee continues to be broadly market-determined with the Reserve Bank of India (RBI) intervening only occasionally for curbing excess volatility